

HIGHLAND TOWNSHIP
PUBLIC LIBRARY

FINANCIAL REPORT
December 31, 2004

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1-2
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)	3-7
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet/Statement of Net Assets	8
Statement of Governmental Revenue, Expenditures and	
Changes in Fund Balance/Statement of Activities	9
Notes to financial statements	10-16
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	17
INDIVIDUAL FUND STATEMENTS	
General Fund:	
Statement of revenues	18
Statement of expenditures	19

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name HIGHLAND TOWNSHIP PUBLIC LIBRARY	County
Audit Date 12/31/04	Opinion Date 3/9/05	Date Accountant Report Submitted to State: 6/23/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

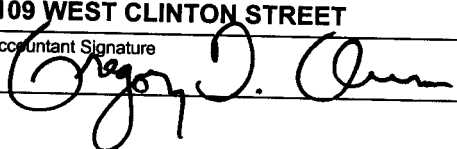
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BREDERNITZ, WAGNER & CO., P.C.			
Street Address 109 WEST CLINTON STREET		City HOWELL	State MI
Accountant Signature 		ZIP 48843	Date

BREDERNITZ, WAGNER & CO., P.C.

Certified Public Accountants

109 WEST CLINTON STREET
HOWELL, MICHIGAN 48843
(517) 546-2130
FAX (517) 546-3552

1

PRINCIPALS

RAYMOND H. COPPER, JR., CPA, CFP
GREGORY D. CLUM, CPA, CGFM

MEMBERS

MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CONSULTANTS

DAVID L. BREDERNITZ, CPA
HERBERT P. WAGNER, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the Highland Township
Public Library Board
Highland, Michigan

We have audited the accompanying financial statements of the Highland Township Public Library as of and for the year ended December 31, 2004, which collectively, comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Highland Township Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Highland Township Public Library as of December 31, 2004, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Highland Township Public Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2003.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Highland Township Public Library's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bredemitt, Wagner & Co., P.C.

Howell, Michigan
March 9, 2005

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the year Ended December 31, 2004 (Unaudited)

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *Government-Wide Financial Statement* columns provide both *long-term* and *short-term* information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the year Ended December 31, 2004
(Unaudited)

Condensed Financial Information

The table below shows key financial information in a condensed format:

Current assets	\$2,389,046
Capital assets	<u>449,095</u>
Total assets	<u>2,838,141</u>
Current liabilities	<u>529,700</u>
Total liabilities	<u>529,700</u>
Net assets:	
Invested in capital assets, net of debt	449,095
Unrestricted	<u>1,859,346</u>
Total net assets	<u>\$2,308,441</u>
Revenue:	
Property taxes	\$ 864,454
Other	<u>122,390</u>
Total revenue	<u>986,844</u>
Expenses - Library services	<u>954,798</u>
Change in net assets	<u>\$ 32,046</u>

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the year Ended December 31, 2004
(Unaudited)

The Library as a Whole

- The Library is reporting financial statements this year that meet the requirements of GASB Number 34. The primary change requires reporting all assets at full cost less depreciation expense. This includes all Library materials, which were previously recorded at \$1 per item in the General Fixed Assets Account Group, which was generally accepted practice among Libraries in Michigan.
- As a result of this change, the Library reports net assets of \$2,308,441 this year on a full accrual basis, as compared to \$1,859,346 on the modified accrual basis of accounting.
- The Library's primary source of revenue is from property taxes. For 2004, total tax collections were \$864,454. This represents approximately 87.6 percent of total revenue.
- Salaries and fringe benefits are the largest overall expenditure of the Library. For 2004, this expenditure was \$458,550, representing 48.0 percent of the Library's total expenditures.
- Depreciation expense, which represents 12.9 percent of the Library's total expenses, is new to the Library, with the implementation of GASB 34.
- Total expenditures for the entire year under the modified accrual method of accounting were \$917,418.
- The Library's conversion to meet GASB 34 Standards, which includes capitalization of Library owned assets and associated depreciation expense is reflected in the Statement of Activities on page 9 of the financial report.

The Library's Fund

Our analysis of the Library's General fund is included on pages 8 and 9 in the first column of the respective statements. The fund column provides detailed information about the General fund on a modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, - not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund.

The fund balance of the General Fund increased during the current year by \$32,046. This represents unspent revenue greater than expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the year Ended December 31, 2004
(Unaudited)

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. Amendments occurred in the Utilities, General Administration, Maintenance, Technology and Materials appropriations. In addition, a portion of existing Fund Reserve was allocated for expenditure, primarily to fund building improvements and additions to materials collections.

Utilities expenditures were adjusted downwards, in line with actual costs. General Administration cost estimates were lowered, due primarily to the lag time between a staff resignation and the start date of the new employee. In addition, one employee who had been budgeted into the library's health insurance plan opted out of coverage.

Maintenance services, Technology and Materials cost estimates were increased. Repairs/maintenance and landscape increases were made to more accurately reflect the ongoing cost of building operation and maintenance.

During the year the library began to incur expenditures related to a fire suppression system flood in late 2003. These costs have not yet been reimbursed by insurance (anticipated in 2005.)

Capital Assets & Debt Administration

At the end of the fiscal year, the Library had approximately \$449,095 invested in building improvements, furniture and equipment, and books and materials. The Library added \$85,853 in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection. In addition, more than \$47,000 of fund reserve was expended to add to library collections bringing the total 2004 expenditure for library materials to \$132,853.

It should be noted that the library building itself is an asset of the Charter Township of Highland, and therefore, does not appear as an asset of the Library.

The Library carries no long-term debt; debt related to the library building bond is administered by Highland Township (see Notes to Financial Statements 8).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)
For the year Ended December 31, 2004
(Unaudited)

Next Year's Budget and Millage Rates

Fiscal year 2005 represents an increase of less than 4.5% over the original budget for fiscal year 2004.

The Library's total millage rate of 1.60 mills is rolled back in the coming year to a collection rate of 1.2760 mills. Based on the taxable value of the property in the Library's township, this will generate approximately \$855,000 in tax revenue. Of this amount, approximately \$9,038 is subsequently captured by Highland's Downtown Development Authority.

Property taxes account for 90% of budgeted library revenues. Line items have been added to reflect anticipated revenue from payment of building pledges and purchase of engraved entrance pavers.

Most line item expenditures are consistent with previous budget years.

General Administration expenditures were increased to account for increased staffing and benefit costs, including health insurance cost estimates, and increased building insurance costs through the township municipal risk pool.

Anticipated major expenditures for 2005 include technology upgrades and site improvements required by the original construction site plan.

In future years, when prior year information is available, a comparative analysis of government wide data will be presented.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and donors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, jude halloran, at (248) 887-2218, ext. 110.

HIGHLAND TOWNSHIP PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET /
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Net Assets
Assets			
Cash and investments (Note 3)	\$ 1,940,426	-	1,940,426
Receivables:			
Taxes	432,729	-	432,729
Accrued interest	15,891	-	15,891
Property and equipment (Note 4)	-	449,095	449,095
Total Assets	\$ 2,389,046	449,095	2,838,141
Liabilities			
Accounts payable and accrued liabilities	\$ 74,022	-	74,022
Deferred revenue	455,678	-	455,678
Total Liabilities	529,700	-	529,700
Fund Balance/Net Assets			
Fund balances - Unreserved:			
Designated for:			
Public improvement	567,054	(567,054)	-
Undesignated	1,292,292	(1,292,292)	-
Total Fund Balance	1,859,346	(1,859,346)	-
Total Liabilities and Fund Balance	\$ 2,389,046		
Net assets:			
Invested in capital assets, net of debt		449,095	449,095
Unrestricted		1,859,346	1,859,346
Total net assets		\$ 2,308,441	2,308,441

The notes to financial statements are an integral part of this statement.

HIGHLAND TOWNSHIP PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL REVENUE,
EXPENDITURES, AND CHANGES IN
FUND BALANCE / STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2004

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities
Revenue			
Property taxes	\$ 864,454	-	864,454
Intergovernmental revenue	46,237	-	46,237
Investment income	30,975	-	30,975
Other revenues	45,178	-	45,178
Total Revenues	986,844	-	986,844
Expenditures			
General administration	516,624	-	516,624
Books, periodicals and audiovisual	85,853	(85,853)	-
Maintenance, supplies and capital outlay	265,207	-	265,207
Utilities	49,734	-	49,734
Depreciation	-	123,233	123,233
Total Expenditures	917,418	37,380	954,798
Excess of Revenues Over Expenditures/Change in Net Assets	69,426	(37,380)	32,046
Fund Balance/Net Assets - Beginning of year	1,789,920	486,475	2,276,395
Fund Balance/Net Assets - End of year	\$ 1,859,346	449,095	2,308,441

The notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

Definition of the reporting entity:

The Highland Township Public Library was established for the purpose of providing all residents of Highland Township with access to materials and services for information, education, culture, and recreation. The Library is governed by a six member board of trustees elected at large from Highland Township.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the local unit. There are no component units of the Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Basis of presentation:

The financial statements present the fund financial statement on a modified accrual basis with an adjustment to present the statement of net assets and the statement of activities on a full accrual basis.

Fund Financial Statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds which are maintained in accordance with the activities or objectives specified.

The financial activities of the Library are recorded on one fund as follows:

Governmental Fund:

General Fund: This fund accounts for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes and penal fines. This fund includes the general operating expenses of the Library.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Highland Township Public Library conform to accounting principles generally accepted in the United State of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

GASB No. 34:

Effective January 1, 2004, the Library implemented the provisions of GASB Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion on Analysis - for State and Local Governments. Certain significant changes in the statements include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Library's activities

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Highland Township Public Library conform to generally accepted accounting principles as applicable to governmental units.

Governmental Fund

The Governmental Fund Type (General Fund) uses a financial resources measurement and focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

Compensated absences (vacation and sick leave):

Vacation time that is unused at the employee's employment anniversary date does not carry over to the following year. Sick time does carry over to the following year at a limited amount. The amount of sick time at December 31 is immaterial and, therefore, not recorded. The Library has no liability for employee compensated absences.

Current property taxes:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at December 31.

The 2004 State taxable valuation of the Library totaled \$713,622,765 on which ad valorem taxes levied consisted of 1.2757 mills raising \$864,454 for operating purposes.

Capital Assets:

Capital assets are defined by the Library as assets with an initial cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building improvements	20 years
Furniture and equipment	5-20 years
Library books and materials	8 years

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgets and budgetary accounting:

The annual budget is adopted by the Library Board prior to the beginning of the budgetary year. Subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end. The Library does not use the encumbrance method of accounting for budgetary purposes. During the current year, the budget was amended in a legally permissible manner.

At the end of the year, actual expenditures exceeded the budgeted amount by \$441. This amount is deemed to not be material to the financial statements; therefore, no corrective action is required.

Formal budgetary integration is employed as a management control device. The budget has been prepared on a modified accrual basis, which is in conformity with generally accepted accounting principles.

Note 3. CASH AND CASH INVESTMENTS

The investment policies of the Library are governed by State statute. All of the Library's investments are in accordance with State statute. The Library's cash and cash investments at December 31, 2004 is comprised of deposits totaling \$1,940,426.

These deposits were reflected in the accounts of the banks (without recognition for checks written but not yet cleared or deposits in transit) of \$1,959,209. Of that amount, \$613,647 was covered by federal depository insurance and the remainder of \$1,345,562 was uninsured and uncollateralized.

Note 4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 2004	Net Additions (Deletions)	Balance December 31, 2004
Building Improvements	\$ 18,929	-	18,929
Computers	188,873	-	188,873
Furniture, and equipment	48,353	-	48,353
Books and recordings	<u>615,557</u>	<u>5,578</u>	<u>621,135</u>
Total	871,712	5,578	877,290
Accumulated Depreciation	(<u>385,237</u>)	(<u>42,958</u>)	(<u>428,195</u>)
Net Book Value	<u>\$486,475</u>	(<u>37,380</u>)	<u>449,095</u>

Note 5. BUILDING LEASE

The building in which the Highland Township Public Library is located is leased from Highland Township at \$1 per year. The lease is renewed on an annual basis and is expected to remain constant in the future.

Note 6. RETIREMENT PLANS

The Library provides pension benefits to substantially all of its full-time employees through a defined contribution plan. The plan is administered by Aetna Life Insurance and Annuity Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at the first annual anniversary date of the plan, which is September 1. As established by the Library Board, the Library contributes 6 percent of employees' gross earnings. The Library contributions for each employee are immediately fully vested.

The Library's total payroll during the current year was \$407,286. The current year contribution was calculated based on covered payroll of \$274,841. The resulting employer contribution during the current year was \$16,490.

Effective June, 1992 the Library reactivated a salary reduction plan covering all employees who have completed one year of service of 1,000 hours and have reached age 21.

Note 7. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library's health insurance is with Municipal Benefit services. The Library participates in the Michigan Municipal Risk Management Authority state pool for claims relating to property loss, torts, errors and omissions and has insurance relating to workers' compensation with the Accident Fund. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

Note 8. LIBRARY BUILDING

The Charter Township of Highland, County of Oakland, State of Michigan issued bonds in the amount of \$5,765,000 in a prior year. The proceeds of these bonds were used to construct a new library building which is leased to the Highland Township Public Library. The obligation to repay the bonds is that of Highland Township. The details of the lease agreement have not yet been completed.

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in assets.

Total Fund Balance - Modified Accrual Basis	\$1,859,346
Amounts reported in the statement of net assets are different because:	

Capital assets are not financial resources, and are not reported in the funds	<u>449,095</u>
--	----------------

Net Assets of General Fund - Full Accrual Basis	<u>\$2,308,441</u>
---	--------------------

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE
FINANCIAL STATEMENTS (Concluded)

Net Change in Fund Balances - Modified Accrual Basis \$ 69,426

Amounts reported in the statement of activities
are different because:Capital outlays are reported as expenditures in
statement of revenue, expenditures, and changes
in fund balance, in the statement of activities,
these costs are allocated over their estimated
useful lives as depreciation:

Library books and materials	85,853
Depreciation	(<u>123,233</u>)

Change in Net Assets of General Fund - Full Accrual Basis	\$ <u>32,046</u>
--	------------------

HIGHLAND TOWNSHIP PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 850,000	850,000	864,454	14,454
State aid	10,220	10,220	18,762	8,542
Charges for services	5,510	5,510	8,791	3,281
Investment income	16,000	16,000	30,975	14,975
Contributions	-	-	19,690	19,690
Fines and forfeitures	27,242	27,242	27,475	233
Other miscellaneous	8,005	8,005	16,697	8,692
Total Revenues	916,977	916,977	986,844	69,867
Expenditures				
Salaries and fringe benefits	517,770	496,245	458,550	37,695
Supplies	17,000	17,000	16,188	812
Travel	3,000	1,750	1,745	5
Library books and materials	100,500	103,000	85,853	17,147
Professional and contractual services	62,200	101,700	61,247	40,453
Training and education	3,500	1,000	515	485
Insurance	64,907	45,682	55,814	(10,132)
Utilities	62,000	58,000	49,734	8,266
Repairs and maintenance	8,000	8,000	56,748	(48,748)
Capital outlay	78,100	84,600	131,024	(46,424)
Total Expenditures	916,977	916,977	917,418	(441)
Excess of Revenues Over Expenditures	-	-	69,426	69,426
Fund Balance - Beginning of year	1,789,920	1,789,920	1,789,920	-
Fund Balance - End of year	\$ 1,789,920	1,789,920	1,859,346	69,426

HIGHLAND TOWNSHIP
PUBLIC LIBRARY

STATEMENT OF REVENUES
GENERAL FUND
For the Year Ended December 31, 2004

Property taxes	\$ <u>864,454</u>
Intergovernmental:	
State:	
Penal fines	27,475
State aid	<u>18,762</u>
	<u>46,237</u>
Investment income	<u>30,975</u>
Other revenue:	
Book fines	16,697
Charges for services	8,791
Contributions, donations and other	<u>19,690</u>
	<u>45,178</u>
 Total Revenues	 \$ <u><u>986,844</u></u>

HIGHLAND TOWNSHIP
PUBLIC LIBRARY

STATEMENT OF EXPENDITURES
GENERAL FUND
For the Year Ended December 31, 2004

General administration:

Salaries	\$ 410,902
Fringe benefits	31,158
Pension plan	16,490
Insurance	55,814
Dues and travel	1,745
Education and training	515
	<u>516,624</u>

Books, periodicals and audiovisual:

Books	66,433
Periodicals	8,643
Audiovisual	10,777
	<u>85,853</u>

Maintenance, supplies and capital outlay:

Repairs and maintenance	56,748
Supplies	16,188
Equipment and furnishings	131,024
Contracted services and other	61,247
	<u>265,207</u>

Utilities:

Public utilities	41,616
Communications	8,118
	<u>49,734</u>

Total Expenditures	\$ <u><u>917,418</u></u>
--------------------	--------------------------

BREDERNITZ, WAGNER & CO., P.C.

Certified Public Accountants

109 WEST CLINTON STREET

HOWELL, MICHIGAN 48843

(517) 546-2130

FAX (517) 546-3552

PRINCIPALS

RAYMOND H. COPPER, JR., CPA, CFP
GREGORY D. CLUM, CPA, CGFM

MEMBERS

MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CONSULTANTS

DAVID L. BREDERNITZ, CPA
HERBERT P. WAGNER, JR., CPA

To the Board of Directors and
the Director of the
Highland Township Public Library
Highland, Michigan

In planning and performing our audit of the general purpose financial statements of the Highland Township Public Library for the year ended December 31, 2004, we considered the library's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 9, 2005, on the general purpose financial statements of Highland Township Public Library.

We will review the status of these comments during our next audit engagement. We have already discusses many of these comments and suggestions with personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

- 1) The Library's budgeted property tax revenue was more than the actual property taxes received.

The budgeted number included both real and personal property taxes. The Library receives all assessed real property taxes during the year but only receives personal property taxes that are actually collected during the year. Therefore, the budgeted number should include all real property taxes assessed for the year but should include only a portion of assessed personal property taxes for the year. Consideration should be given to using past history when estimating the amount of personal property taxes to be collected.

Status: Implemented

- 2) The Library's budgeted expenditures exceeded the budgeted revenues which is not in accordance with the Uniform Accounting and Budgeting Act.

When budgeted expenditures exceed budgeted revenues, a line item should be established in the budgeted revenues for fund balance so that the budget is in balance. This line item represents the amount of the fund balance that will be used to cover budgeted expenditures. Preparation of the budget in this manner will help ensure that the Library is in conformance with the Uniform Accounting and Budgeting Act.

Status: Implemented

- 3) As discussed in notes 5 and 8 of the financial statements, the Library has a lease agreement with Highland Township which has not been updated after the Library moved into the new building.

The Library should follow up with the Township to determine the status of the revised lease agreement. Having a lease agreement on the new building with the Township will help protect the Library's interest in the building and could help to eliminate any possible misunderstandings in the future.

Status: The Library should continue to follow up with the Township to determine the status of the revised lease agreement.

Current year recommendations:

- 1) The Library's budgeted expenditures were less than the actual expenses incurred by the Library.

The Library should monitor and amend the budget to ensure actual expenditures do not exceed budgeted expenditures of the Library. If this amendment results in budgeted expenditures exceeding budgeted revenues, then budgeted revenues would also need to be amended to at least equal budgeted expenditures. Preparation of the budget in this manner will help ensure that the Library is in conformance with the Uniform Accounting and Budgeting Act.

We appreciate the assistance provided to us during the audit by the staff of the Highland Township Public Library. This report is intended solely for the information of management and the Library Board. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bradenitz, Wagner & Co., P.C.